

2014

Financial Statements and
Supplementary Information
December 31, 2014

[THE ASSOCIATION OF PELICAN POINT, INC.]

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Members
The Association of Pelican Point, Inc.

We have reviewed the accompanying balance sheet of The Association of Pelican Point, Inc. (the Association) as of December 31, 2014, and the related statements of revenues, expenses and changes in fund balance and cash flow for the year then ended, in accordance with *Statements on Standards for Accounting and Review Services* issued by the American Institute of Certified Public Accountants. All information included in these financial statements is the representation of the Association's management of The Association of Pelican Point, Inc.

A review consists principally of inquiries of company personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as whole. Accordingly, we do not express such an opinion.

Based upon our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with generally accepted accounting principles.

The American Institute of Certified Public Accountants has determined that supplementary information about future major repairs and replacements of common property is required to supplement, but not required to be a part of, the basic financial statements. I have compiled the supplementary information from information that is the representation of management of the Association, without audit or review. Accordingly, I do not express an opinion or any other form of assurance on the supplementary information.

Mapili CPAs LLC

Mapili CPAs LLC
Certified Public Accountants

March 6, 2015

THE ASSOCIATION OF PELICAN POINT, INC.
BALANCE SHEET
December 31, 2014

	<u>Operating</u> <u>Fund</u>	<u>Replacement</u> <u>Fund</u>	<u>Total</u>
Assets			
Cash and cash equivalents	\$ 77,253	\$ 367,422	\$ 444,675
Assessments receivable (net)	6,973	-	6,973
Prepaid expenses	24,609	-	24,609
Deposits	2,096	-	2,096
Total Assets	<u>\$ 110,931</u>	<u>\$ 367,422</u>	<u>\$ 478,353</u>
Liabilities and Fund Balance			
Accounts payable and accruals	\$ 16,492	\$ -	\$ 16,492
Prepaid member assessments	7,151	-	7,151
Total Liabilities	<u>23,643</u>	<u>-</u>	<u>23,643</u>
Fund Balance	<u>87,288</u>	<u>367,422</u>	<u>454,710</u>
Total Liabilities and Fund Balance	<u>\$ 110,931</u>	<u>\$ 367,422</u>	<u>\$ 478,353</u>

See accompanying notes and auditor's report

THE ASSOCIATION OF PELICAN POINT, INC.
STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN FUND BALANCE
Year Ended December 31, 2014

	<u>Operating</u> <u>Fund</u>	<u>Replacement</u> <u>Fund</u>	<u>Total</u>
Revenues			
Member assessments	\$ 311,964	\$ 65,316	377,280
Laundry income	18,170	-	18,170
Late fee and finance charges	175	-	175
Interest income	38	953	991
Total Revenues	<u>330,347</u>	<u>66,269</u>	<u>396,616</u>
Expenses			
Bad debt expense	600	-	600
Building maintenance	41,727	-	41,727
Cable expense	62,853	-	62,853
General and administrative	5,654	-	5,654
Grounds maintenance	24,690	-	24,690
Insurance expense	34,793	-	34,793
Major repairs and replacements	-	102,054	102,054
Management fees	15,300	-	15,300
Payroll expenses	22,104	-	22,104
Pool and clubhouse	6,375	-	6,375
Professional fees	6,667	-	6,667
Utilities expense	110,380	-	110,380
Total Expenses	<u>331,143</u>	<u>102,054</u>	<u>433,197</u>
Excess (deficiency) of revenues over expenses	(796)	(35,785)	(36,581)
Fund balance at December 31, 2013	<u>88,084</u>	<u>403,207</u>	<u>491,291</u>
Fund balance at December 31, 2014	<u>\$ 87,288</u>	<u>\$ 367,422</u>	<u>\$ 454,710</u>

See accompanying notes and auditor's report

THE ASSOCIATION OF PELICAN POINT, INC.
STATEMENT OF CASH FLOWS
Year Ended December 31, 2014

	<u>Operating</u> <u>Fund</u>	<u>Replacement</u> <u>Fund</u>	<u>Total</u>
Excess (deficiency) of revenues over expenses	<u>\$ (796)</u>	<u>\$ (35,785)</u>	<u>\$ (36,581)</u>
Adjustments to reconcile excess (deficiency) of revenues over expenses to net cash provided by (used in) operating activities:			
Increase in assessments receivable	(6,814)	-	(6,814)
Increase in prepaid expenses	(17,785)	-	(17,785)
Increase in accounts payable and accruals	4,988	-	4,988
Increase in prepaid member assessments	581	-	581
Prior period adjustment	890	3,674	4,564
Net cash provided (used) by operating activities	<u>(18,140)</u>	<u>3,674</u>	<u>(14,466)</u>
Net increase (decrease) in cash	(18,936)	(32,111)	(51,047)
Cash at beginning of year	<u>96,189</u>	<u>399,533</u>	<u>495,722</u>
Cash at end of year	<u><u>\$ 77,253</u></u>	<u><u>\$ 367,422</u></u>	<u><u>\$ 444,675</u></u>

See accompanying notes and auditor's report

THE ASSOCIATION OF PELICAN POINT, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE 1: ORGANIZATION

The Association of Pelican Point, Inc. is incorporated as a not-for-profit corporation in the State of Florida in January 1996. The Association is responsible for the operation and maintenance of the common property within the development. The development is located in Brevard County, Florida and consists of 131 residential units.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fund Accounting

The Association's documents provide certain guidelines for governing its financial activities. To ensure observance of limitations and restrictions on the use of financial resources, the Association maintains its accounts using the principles of fund accounting. Financial resources are classified for accounting and reporting purposes in the following funds established according to their nature and purpose:

Operating Fund - The operating fund is used to account for the regular, recurring costs of the Association. Expenses from this fund are limited to those connected with daily operations.

Replacement Fund - The replacement fund is composed of capital assessments paid by unit owners to fund future replacements and major repairs. Expenses from this fund are restricted to those items for which assessments were specifically collected.

Member Assessments

Association members are subject to assessments to provide funds for the Association's operating expenses, future capital acquisitions, and major repairs and replacements. Member assessments receivable at the balance sheet date represents fees due from unit owners. The Association's policy is to retain legal counsel and place liens on the properties of homeowners whose assessments are delinquent. Any excess assessments at year-end are retained by the Association for use in future years.

Income Taxes

The Association may be taxed either as a homeowners' association or as a regular corporation. For the year ended December 31, 2014, the Association elected to be taxed as a homeowners' association. Under this election, the Association is generally exempt from taxation on membership income and is taxed only on non-membership income items, such as interest earnings.

The Association's federal tax returns filed within the past three years remain open to examination by the Internal Revenue Service. The Association has evaluated its tax provisions and believes that no accruals are necessary at December 31, 2014.

Real and Common Area Property

Real and common area property acquired by the original homeowners from the developer is not capitalized on the Association's financial statements, since it is owned by the individual owners in common and not by the Association. As a result, improvements to the real property and common areas are expensed as incurred.

Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, cash equivalents include time deposits, certificates of deposit, and all highly liquid instruments with original maturities of twelve months or less.

THE ASSOCIATION OF PELICAN POINT, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Allocation of Revenues and Expenses to Owners

Revenue and expenses are allocated equally among all of the owners within the Association.

Interest Income

Interest income earned by the replacement fund is allocated between the respective individual repair and replacement components, based upon each component's pro-rata share of the related invested amount. Other interest income earned by the operating fund cash account is credited to that operating fund account.

NOTE 3: COMMITMENTS AND CONTINGENCIES

The Association has entered into various short term contractual agreements with outside vendors and service providers to maintain its common property and to administer the Association. These contracts have different expiration dates and renewal terms.

NOTE 4: RELATED PARTY

During July 2014, the Board President of the Association, Randy Malecha, was paid \$3,200 for 180 labor hours to repaint, repair, and maintenance of the Association. Per meeting minutes, the agreed hourly price is heavily discounted and all additional hours are offered for free above the amount paid in 2014.

NOTE 5: SUBSEQUENT EVENTS

For the period ended December 31, 2014, the Association has evaluated subsequent events for potential recognition and disclosure through March 6, 2015, the date of the Independent Auditor's Report (the date the financial statements were available to be issued).

NOTE 6: CONCENTRATIONS OF CREDIT RISK

Financial instruments which may potentially subject the Association to concentrations of credit risk, as defined by accounting principles generally accepted in the United States of America, consist mostly of bank accounts and certificates of deposit with balances in excess insured by the Federal Deposit Insurance Corporation (\$250,000) and member assessment receivable. Management of the Association evaluates the financial stability of its depositories and considers the risk of loss to be remote.

The Association's major source of revenue is member assessments, which are received from its members and may be secured by a lien on their property. The Association monitors the collectability of these receivables and pursues collection if needed. Management routinely assesses the uncollectibility of these receivables and provides for an allowance for doubtful accounts.

THE ASSOCIATION OF PELICAN POINT, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE 7: FUTURE MAJOR REPAIRS AND REPLACEMENTS

The Association's governing documents require funds to be accumulated for future major repairs and replacements. The funds are segregated and held primarily in interest-bearing accounts. The Association's Board of Directors has estimated the remaining useful lives and replacement costs of common property components.

The Association is funding for major repairs and replacements over the remaining useful lives of the components based on current estimates of replacements costs considering amounts previously accumulated in the replacement fund. Actual expenditures, however, may vary from the estimated amounts and the variations may be material. Estimated current replacement costs do not take into account the effects of inflation. Therefore, amounts accumulated in the replacement fund may not be adequate to meet future needs. If additional funds are needed, however, the Association has the right to increase regular assessments or levy special assessments, or it may delay major repairs and replacements until funds are available.

Member's equity designated for future major repairs and replacements has been allocated by the Board of Directors to the components of common property as follows:

Component	Balance 1/1/14	Fund Additions	Major Repairs / Replacements	Balance 12/31/14
Painting	\$ 87,622	\$ 1,200	\$ 77,215	\$ 11,607
Roofs	170,826	30,000	-	200,826
Laundry Machines	7,405	3,336	-	10,741
Elevator	20,860	10,680	5,000	26,540
Pool	27,860	2,100	2,349	27,611
Roads	3,750	9,900	-	13,650
Seawall	45,907	1,500	-	47,407
Deferred Maintenance	38,977	7,553	17,490	29,040
Total	<u>\$ 403,207</u>	<u>\$ 66,269</u>	<u>\$ 102,054</u>	<u>\$ 367,422</u>

SUPPLEMENTARY INFORMATION

**THE ASSOCIATION OF PELICAN POINT, INC.
SUPPLEMENTARY INFORMATION ON FUTURE MAJOR
REPAIRS AND REPLACEMENTS (UNAUDITED)
DECEMBER 31, 2014**

The Association's Board of Directors has estimated the remaining useful lives and the replacement costs of the components of common property. The reserve study uses the cash flow or pooled reserve method. Estimated current replacement costs have not been revised since that date and do not take into account the effects of inflation between the date of the study and the date that the components will require repair or replacement.

The following is based on the study and presents significant information about the components of common property.

Component	Estimated Remaining Useful Life In Years (Unaudited)	Estimated Current Replacement Cost (Unaudited)	Component Balance 12/31/2014	2015 Budgeted Funding
Painting	7	\$ 87,600	\$ 11,607	\$ 10,836
Roofs	14	630,000	200,826	34,980
Laundry Machines	6	30,000	10,741	3,216
Elevator	5-23	230,000	26,540	9,576
Pool	2	32,000	27,611	1,020
Roads	1-24	98,000	13,650	8,280
Seawall	20	75,000	47,407	1,380
Deferred Maintenance	20	225,000	29,040	9,876
Total		<u>\$ 1,407,600</u>	<u>\$ 367,422</u>	<u>\$ 79,164</u>